

Statement of Hal Daub, Chairman
Social Security Advisory Board

Submitted for the Record of the March 14, 2006 Hearing of the
Committee on Finance
United States Senate
On
Administrative Challenges Facing the Social Security Administration

Chairman Grassley, Senator Baucus, members of the Committee on Finance. I am pleased, as Chairman of the Social Security Advisory Board, to submit to you this statement concerning the Administrative Challenges Facing the Social Security Administration.

First of all, I want to congratulate you on holding this hearing. I think most Americans are aware of the Social Security Administration in much the same way that we are aware of the sun in the sky. If asked, we would, of course, say that we know it exists and that it is important to the proper functioning of our lives, but we mostly just expect it to be there and to operate smoothly. When we need a Social Security number, we expect to be able to get one. As we work, we expect that our wages will be properly tracked. Those who are retired and drawing benefits expect them to be paid in the right amount and at the right time. Those who become disabled or suffer the loss of a breadwinner expect that they can turn to the agency and have their eligibility accurately and promptly adjudicated.

To a very great extent, the Social Security Administration lives up to and, in many cases, exceeds these expectations. As an excellent example, I would mention last year's hurricanes. We all have heard a great deal about the things that went wrong. But one of the things that went right was the way that the Social Security Administration responded to that crisis by keeping its payments and other services flowing to the affected population. The Advisory Board undertook a special study of how the agency handled that crisis and I would like to submit for the record the report of our findings.

But while the Social Security Administration and its employees have a well deserved reputation as a "can-do" organization that handles both routine and crisis challenges with efficiency and great commitment to public service, it is also very much a large scale production operation that cannot meet all of its challenges adequately unless it is given adequate resources to do so.

The massiveness of the agency's routine operations is, I think, not well understood. It provides benefits to over 53 million Americans every month. Now that may not seem like such a big challenge. The largest part of that workload is retirement benefits and most of those now are paid by direct deposit rather than by physical checks. But, that is not really a static workload. People move. People die. Family circumstances that affect entitlement can change. People in certain categories have benefits that may vary from month to month depending on their earnings or income. The Social Security Administration has to keep track of these changes, update its benefit rolls, send out explanations, handle phone inquiries and office visits asking about these changes. On a typical day, the agency has to process more than 300 thousand actions of this kind.

Beyond maintaining the benefit rolls, one of the most important things that the Social Security Administration does is to handle new claims. And again, the magnitude of this operation

is so large that it is difficult to comprehend. Every week, the agency gets something like 150 thousand new benefit claims. That's about 8 million per year. Now the Social Security Administration has done an excellent job of leveraging technology to help it handle this huge workload. Lots of information is available on its website to help people understand what benefits there are and how to claim them. More and more of these claims are actually being filed on the Internet and those who do not have Internet access—or, perhaps, don't trust it—can often file their claims by telephone. However, technology can take you only so far. For most of us, reaching the age for claiming Social Security benefits is an important life event, and many want to go to their local Social Security field office to talk with a human being and make sure they are making the right choices. And, even for retirees, there are important choices in this very complex program. Between age 62 and 70, how much your permanent benefit rate will be depends on just which month in that period you choose to have it start. If you are under 65, the amount you work may affect your benefits. And Social Security also handles your choice of whether or not to enroll in Part B of Medicare when you reach age 65. So even the so-called “simple claims” are not so simple.

But it is in the disability area that the Social Security Administration faces the most significant administrative challenges. A disability claim—and there are about 2.5 million of them each year—is inherently far more complicated than other claims. For retirement and survivors claims the availability and evaluation of evidentiary factors is generally straightforward: age, relationship, the fact of death all generally can be shown by official records, and wage history information is maintained in the agency's own databases. But a disability claim involves a complex interview where the claimant explains the nature of the impairment and why he or she thinks it prevents employment. The claimant's prior work history and educational background also must be recorded. All the doctors and hospitals and clinics that have provided treatment are contacted to provide their medical findings. In many cases, the claimant will be asked to undergo a medical examination by an agency consultant. The claim passes through many hands. Generally, it is filed and the initial interview conducted at an SSA field office. It then goes to a State disability determination agency which gathers the evidence so that a lay disability examiner and a medical professional can jointly decide whether the claimant meets the statutory definition of disability. Because disability is often not clear cut, a large portion of claims go on to a lengthy appeals process that may involve a reconsideration by the State agency, a hearing before an administrative law judge, further administrative review by the Appeals Council, and, in a relatively small but still significant number of cases, review by a Federal District Court.

Again, the agency has been making strong efforts to increase its efficiency in handling this difficult and complex caseload. Even as millions of claims continue to come in the door, it undertook over the past couple years to develop a sophisticated new electronic processing system for disability claims which should, when fully implemented, reduce the costs of handling, storing, and transporting the bulky paper claims folders previously used. This new “eDib” system also holds promise of improving the agency's ability to process claims and implement effective quality management measures. But still, the nature of the program will continue to involve the labor-intensive functions of identifying, gathering, and evaluating evidence for a necessarily subjective determination. The agency has been able to make impressive productivity gains over the past several years, but with the babyboom generation now approaching its most disability prone years, the administrative challenge will continue to grow.

So adequate resources will always be an important factor in the Social Security Administration's ability to meet its administrative challenges. And, despite its significant record of achievement, it does not now have adequate resources to keep up with all its workloads.

In 1994, this Committee proposed that the Social Security Administration should become an independent agency of the government. In the legislation that you recommended and that Congress and the President enacted into law, you gave the Commissioner the responsibility of drawing up budgets based on the agency's workforce needs and required that these be submitted to the Congress along with the President's request. Based on this requirement, the Social Security Administration has been submitting budgets which would allow it to gradually bring down its backlogs to normal levels. The pattern has been for the President's budget to include much, but not quite all of the requested funding, and for the Congress to appropriate at a level below the President's recommendation. For the current fiscal year, for example, the Social Security Administration told Congress that a service delivery budget level of \$10.1 billion was the amount needed to meet its ongoing responsibilities including a glide path to the elimination of backlogs. The President recommended that Congress allow \$9.4 billion. And the actual administrative funding level approved by the Congress was \$9.1 billion.

The Social Security Administration does its best to continue to provide a high level of public service with the resources it does receive. But, when resources are not adequate, workloads will and do suffer. This obviously puts the Commissioner of Social Security into a difficult position of deciding what gets done and what gets left undone. Some things that get left undone are important stewardship activities. Some of those who go on the disability rolls will recover, but it takes resources to carry out continuing disability reviews. Some of those who are needy and apply for Supplemental Security Income will have changed circumstances that lessen (or perhaps increase) their entitlement. It takes resources to conduct redeterminations. The actuaries have found that a dollar spent on disability reviews yields ten dollars in long-term benefit savings and a dollar spent on SSI redeterminations has a sevenfold return on investment. So failing to provide adequate resources to carry out these stewardship responsibilities really is not beneficial to either the Federal budget or the trust funds.

But it is not just stewardship that suffers when resources are inadequate. Members of the public coming into Social Security offices to do business such as filing a claim or getting a Social Security card find themselves waiting longer than necessary. Telephone calls, especially those to field offices with inadequate staff and obsolete equipment, are not answered and voice mail messages are not returned promptly and, in some cases, are not returned at all.

Again, it is in the complex and difficult disability area that service to the public especially suffers when resources are insufficient to enable the agency to keep up with growing workloads. The number of initial disability claims awaiting a decision is over 600,000 and growing. In 1980, Congress directed SSA to promulgate performance standards for State Disability Determination Services. SSA's regulations set a target average processing time for Social Security disability claims of 37 days with 50 days as the outside threshold of what is "acceptable". In the past three months, the average time was over 92 days.

The situation in the hearings process is even more serious. At the end of 1999, there were 265,000 Social Security claimants awaiting a hearing on their appeals. By the end of 2003, that had more than doubled to 556,000. And the backlog continues to grow. It is now over 700,000 and by the end of this fiscal year will reach 756,000. That is three-quarters of a million

Americans with severe disabilities who have already waited 3 or 4 months to get a decision on their claim and will now face, on average, another year and a quarter awaiting a decision on their appeal. And most of them will ultimately be found eligible.

So, just to carry out its basic ongoing responsibilities, the Social Security Administration must have adequate resources. But even as it struggles with a less than optimal funding level and still attempts to make those investments in technology and improvements in process that will make it better able to cope efficiently with its workloads, SSA finds its workloads growing because the public and the Congress tend to look to this “can do” agency when new needs arise. The public expected and received extraordinary efforts from the Social Security Administration when the hurricanes were shutting down many other services. The agency met the challenge, but at a cost. Last year’s hurricanes absorbed an unplanned for expenditure of over \$70 million that will reduce the agency’s capacity to use overtime for some of its ongoing workloads. A few months back, the period for enrollment in the new Medicare prescription drug program began. Even though this was not properly a Social Security Administration responsibility, the agency has a presence in the community and is trusted as a source of information. As a result, its field offices were swamped with visitors and its 800 number experienced a huge spike in calls. Again, this absorbed resources that reduce the agency’s ability to do its own work. In 2004, legislation was enacted requiring increased evidentiary standards for issuing new and replacement Social Security cards. This doesn’t sound like a huge burden, but the agency processes 18 million cards each year. Field offices tell us that something like a third of those who visit the office for a Social Security card now need to make a return visit to bring additional documents.

Legislation is now pending which would mandate that employers verify the accuracy of the Social Security numbers presented to them by their workers. Chairman Grassley and Senator Baucus, in their opening statements, mentioned a number of reasons why such legislation may have broad implications that need to be carefully examined. But, if Congress ultimately does decide to take this step or some variant of it, it is important to be aware that this does represent another administrative challenge for the Social Security Administration. As the Commissioner testified, the challenge is not so much in setting up and operating the verification system itself—the agency already provides such services on a voluntary basis—but rather in the spillover impact as Social Security deals with the many cases where the verification will be negative and workers will need to straighten out their records with Social Security. This certainly may have some beneficial results in terms of reducing the amount of wages that cannot now be properly credited, but, like all administrative burdens, it is not free. It will take administrative resources, and unless those are provided, it will detract from the ability of the agency to provide other services to the public.

I would like to take a moment to discuss the administrative challenges that this Committee placed upon the Social Security Administration in connection with the Medicare prescription drug program. Recognizing Social Security’s presence in American communities and its reputation for providing effective and efficient public service, you gave it the responsibility for soliciting and adjudicating applications for the extra assistance provided to lower income beneficiaries in meeting their prescription drug costs. But you very wisely, I believe, recognized that this would be a significant administrative challenge and, to avoid an adverse impact on the agency’s other important workloads, you included additional administrative funds as an integral part of the same legislation that gave the Social Security Administration this new mandate. I think that should become a model for the future and one that you should insist that other Committees follow if they

propose changes that have the effect of increasing the Social Security Administration's administrative tasks.

In reports issued by the Social Security Advisory Board in 1999 and again in 2002, the Board urged that the administrative budget for the Social Security Administration should be "excluded from any cap that sets an arbitrary limit on discretionary spending." We also said that the Board does not in any sense mean that the agency's budget should be exempt from close scrutiny by the Congress. The Social Security program and the Social Security trust funds are very important to the workers who bear the burden of paying Social Security taxes and to the beneficiaries who depend upon the program for economic security. The Congress has a responsibility to assure both that this core responsibility of government is adequately resourced and efficiently carried out and that proper levels of benefit and administrative expenditure are maintained. Unfortunately, there is a shortcoming in our current budgetary processes that seems to result in the worst of both worlds. In a more rational process, the agency would be able to devote sufficient resources to its stewardship responsibilities to generate a reduction in improper payments that could in turn be redirected to carrying out its responsibilities for providing excellence in all aspects of its service to the public. I would urge the Committee to find ways to resolve this problem.

Attachments:

Letter reporting on Hurricane Katrina

Letter to Appropriations Committees

March 24, 2006

The Honorable Jo Anne B. Barnhart
Commissioner of Social Security
Social Security Administration
6401 Security Boulevard
Baltimore, Maryland 21235

Dear Commissioner Barnhart:

I am writing on behalf of the Social Security Advisory Board to inform you of our findings with respect to the Social Security Administration's response to the hurricanes that devastated large areas of the South last year. As you know, the Congress, in establishing an independent, bi-partisan Social Security Advisory Board, charged us with a number of responsibilities including "making recommendations with respect to the quality of service that the Administration provides to the public." In discharging this duty, we have not hesitated to point out areas in which the quality of service could be improved. We think, however, that it is equally important to recognize and commend examples of excellence in service.

Shortly after the hurricanes, the Board visited SSA's Dallas region to get a first hand account of the agency's response, and we have supplemented this visit with other inquiries. Based on these studies, we have prepared the attached analysis. As explained more fully in that analysis, we find that the agency and its employees have every reason to be proud of their actions in dealing with that crisis.

Last year's hurricanes caused great suffering for the residents of the impacted areas many of whom experienced displacement from their communities, damage or destruction of their homes and belongings, and, in many cases, loss of family members. For those who depended on income from Social Security or needed to apply for benefits or just needed to have their Social Security numbers verified, those sufferings would have been magnified substantially if the Social Security Administration did not undertake extraordinary efforts to continue providing its services. The agency's success, under those difficult conditions, in meeting the service needs of those affected by the hurricanes was no accident. It represents the culmination of thoughtful planning and preparedness combined with a workforce imbued with and dedicated to a culture of service. The Board is pleased to send you this report on our findings.

Sincerely,

Hal Daub,
Chairman

Attachment

SSA Response to Hurricanes of 2005

It has been said that a crisis reveals the true nature of an individual or an organization. In its performance in response to the hurricanes of 2005, the Social Security Administration showed that it and the people of SSA are models of service to the public. As Representative Jim McCrery of Louisiana said, “In spite of the personal trauma caused by these hurricanes, Social Security employees have been hard at work to ensure that eligible evacuees received and will continue to receive their Social Security payments [Social Security] employees have exemplified excellence in public service—going far beyond the call of duty to serve those in dire need.”

These are some of the elements that made SSA’s response successful: its clear sense of mission, a culture of service, coordination with other agencies, communications, planning and flexibility. Our findings represent the results of a two-day regional field trip by the Social Security Advisory Board to Texas, the headquarters of the Dallas region, which is the office responsible for directing the emergency efforts in Louisiana and Texas. What we learned through that trip has been supplemented by a teleconference with SSA officials in the Atlanta region, who directed the SSA response to the impact of the hurricanes in Mississippi and Florida and numerous other inquiries by our staff.

Providing service delivery in emergency situations is generally difficult, but hurricanes Katrina and Rita presented an especially stressful test of SSA’s preparedness, resourcefulness, and commitment. A wide swath of the South was subjected to damage and destruction. About 600,000 Social Security and 200,000 Supplemental Security Income beneficiaries lived in the counties affected by the hurricanes. The impact was felt over most of the country as evacuees went to other regions and sought services there. The amount of field office walk-in traffic increased dramatically in metro areas across the South, quadrupling in major areas near New Orleans. And the hurricane did not spare SSA personnel and structures. More than 500 employees were dislocated from their homes for some period. Nearly 200 had their homes destroyed or severely damaged. More than 100 local offices were closed for some time, some for weeks. Eleven temporary offices were established to replace damaged facilities or to meet needs created by the hurricanes.

Sense of mission

Despite the obstacles, SSA responded with a clear sense of mission. While it is not the agency’s formal mission statement, “the right check to the right person, on time,” is a mantra near to the heart of its direct service employees and familiar to everyone throughout the agency. Both Katrina and Rita hit after monthly checks had been issued by the Treasury and were in the hands of the Postal Service. Getting payments to the right people in the wide area damaged by the hurricanes was a challenge. Some people needed to file claims for disability or survivors benefits as a result of the storms. And many evacuees had left home with nothing more than a change of clothes. They needed SSA to help them provide verification of their Social Security numbers in order to establish their identities for the other services they needed.

Exceeding expectations

Some numbers tell the basic story of SSA's response. SSA took more than 4,000 claims for benefits as a result of the hurricanes. It issued almost 75,000 immediate payments amounting to \$40 million.

But the numbers do not tell the whole story. SSA's employees responded to the real needs of the people they served. There are numerous stories of employees going the extra mile, and more, to help reunite families who had been separated during the evacuation. For example, employees in Muskogee, Oklahoma used SSA records and assistance from other field offices to reunite a beneficiary with a mental disability with his mother in Houston.

SSA not only issued checks but made sure that people could cash them. The immediate payment checks are not the normal Treasury checks but are third-party drafts drawn on a commercial bank and were often completed by hand. SSA worked with the Chase Manhattan Bank to develop a "Dear Fellow Banker" letter that explained what the checks were, with a space for SSA field employees to insert the name and telephone number of an SSA contact to answer any questions. SSA field management also used its ties to the community to work with local banks.

Many employees worked long hours to meet the challenges they faced. In the interests of space, we will cite some examples from Baton Rouge to stand for the efforts of employees all over the area hit by the hurricanes. Employees from Dallas rode a bus to Baton Rouge to work in offices there. On three separate occasions, they got on a bus at midnight, rode eight hours, and worked past the regular office hours. Then, since closer hotels were full, they got back on the bus and returned to Dallas. Employees in Baton Rouge itself worked all day, closing the office doors at 10:00 p.m., then cleared up paperwork so they could get a few hours of sleep before starting again.

SSA's area director for Louisiana wrote to his employees after the crisis: "You never know how people will react to pressure, but our employees, throughout the area, went way beyond what we could ever have expected of them. I will never forget the day after the flood having New Orleans employees come into the Baton Rouge office and ask how they could help, sit down and begin interviewing, even though they had just lost their homes and were still unable to locate family members."

Culture of service

In our visits to SSA facilities all over the country over the past several years, we have constantly been impressed by the positive tradition of public service that we found there. While we have pointed out problems with the agency's delivery of services, we have at the same time praised the commitment of its employees. And while it has seemed at times that their "can-do" attitude has flagged under the burdens placed on them, when faced with a crisis, that attitude comes forth and prevails.

In its many visits with agency employees in all components and throughout the Nation, the Board has observed this culture of service. That culture is no accident. It is a

tribute not only to SSA's employees but to its management. Since it began, SSA has ensured that this commitment to service is an integral part of its makeup.

Coordination

SSA demonstrated the importance of good working relationships with the other agencies it relies on to get its job done. The General Services Administration assessed damage to buildings, provided trailers for temporary office space, and leased other space quickly. SSA and the Postal Service established temporary mail delivery stations in areas where mail service was suspended, so that beneficiaries remaining in those areas could pick up their checks at those locations. The Postal Service implemented special procedures to ensure timely delivery of the November checks, and the Treasury Department printed the November checks earlier than usual to give the Postal Service time to implement its special procedures. SSA, along with other agencies, provided services at disaster relief centers set up by the Federal Emergency Management Agency across the affected area. SSA employees also participated in "sweep teams" that visited shelters, nursing homes, and other locations where numbers of evacuees were staying, providing immediate payments, changes of address, Social Security number verification, and benefit applications. The same sorts of activities took place across the country as evacuees arrived and SSA employees met them to provide assistance.

We examined internal coordination and found that support components provided exceptional help to those providing direct service. This may seem like something that should be taken for granted, but it enabled SSA to move more nimbly than some smaller agencies. SSA's Office of Systems responded quickly to needs for communications equipment and to restore and move computer systems and networks and to set them up in temporary locations such as the Houston Astrodome. Finance components ensured that check stock for immediate payments was available. The Office of General Counsel worked with FEMA to obtain release of lists of people who had died in the storms. The Office of Inspector General provided armed law enforcement agents needed to accompany employees into some areas.

Communications

SSA made efforts to ensure that the public knew what services were available and how to obtain them. Local managers and public affairs specialists worked with local media to let the public know which offices were open, as well as other ways to contact SSA and obtain services. They provided information in English, Spanish, Creole, and Vietnamese. They also made outreach contacts with State and local community agencies to support and provide services to evacuees. Again, they went beyond the expected. The managers of the SSA offices in Gulfport and Moss Point, Mississippi, which were closed because of damage to the buildings, stood in the parking lots of those offices passing out literature on Social Security services and the location of the nearest open office.

Planning/flexibility

SSA has a continuity-of-operations plan and emergency plans at local levels. It has experience at dealing with disasters, which have been generally more localized. It has dealt with numerous natural disasters and with more unusual events such as the bombing of the Federal Building in Oklahoma City; a suspected outbreak of Legionnaire's disease in Richmond, California; and the attacks on September 11, 2001. The agency regularly brings people together to discuss lessons learned after major events and to revise plans based on those lessons learned.

SSA also recognizes that not everything can be foreseen. SSA applied its plans flexibly, moving work to other areas and bringing additional resources to the areas hit by the storms. It established field office support units in larger regional facilities to help with field office workloads. It used its Office of Quality Assurance to help with pending disability decisions. Workloads that could be moved electronically were transferred from closed offices to other offices to minimize delays in processing. SSA extended field office hours and 800-number service hours. Many field offices were open throughout the Labor Day weekend to help evacuees. With the help of GSA, SSA established 11 temporary offices or portable offices to supplement established space. It brought in 171 detailees from offices around the country to help in areas with large numbers of evacuees.

Lessons learned

The hurricanes reinforced the importance of maintaining a balanced and multi-faceted approach to service delivery. Over the past decades the agency has followed a strategy of offering the public a variety of different ways to interact with it. This not only created significant efficiencies and improved SSA's ability to meet service delivery needs in normal circumstances but also gave it an arsenal of tools to use in crisis situations. Its continuing presence in local communities was an invaluable asset as it relied on its local knowledge in coordinating with community leaders and government institutions. The immediate claims-taking units it had established in its teleservice and processing centers made it possible for many callers needing to file a claim to be routed to someone who could take that claim on the initial call. For claimants who could not be handled in that way, a field office support unit called back to take the claim within 24 hours. A national 800 emergency number enabled employees who had evacuated to report their locations and movement; it also provided office closure information. The hurricane response validated the critical importance of the agency's efforts to anticipate events and to establish continuity of operations plans and emergency plans for its components.

The storms also demonstrated that the agency's commitment to utilizing modern technology not only provides more efficient service, but also will make it better able to respond to unforeseen contingencies. For example, a Louisiana Disability Determination Services (DDS) building in Metairie, Louisiana was severely damaged by the storm. DDS and SSA employees helped movers retrieve 6,000 disability folders, carrying 400 boxes of folders down six flights of unlighted stairs. However, because of the new electronic disability system that the agency has been implementing, there were 1,400 electronic claims pending at that office were simply transferred electronically to

the Shreveport office. About 500 case files were lost in the Office of Hearings and Appeals in Metairie. Once the electronic disability system is fully implemented, losses of that type will not happen.

A difficult lesson that SSA is learning is how expensive it can be to provide service in such circumstances. The storms came at the end of the fiscal year, and the agency showed flexibility in absorbing about \$6 million in costs for personnel, space, and equipment. It faces a greater challenge in the current fiscal year, when it will have to absorb as much as \$50 million in expenses for refurbishing offices, replacing equipment, and relocating employees.

Conclusion

Even in normal circumstances, the operations of the Social Security Administration directly and crucially affect the lives of millions of Americans. Over the years of the Board's existence, we have been continually impressed by the commitment and expertise of the agency, its management, and its employees at all levels to providing excellent service to the beneficiaries who depend on Social Security. Last year's hurricanes showed that commitment and expertise to be deep and solid. Service is what SSA does. Its employees both in the area and throughout the country volunteered to do whatever was necessary to assure that service to the public in the affected areas would continue. Agency management did not stop to worry about its constrained budgetary circumstances, but immediately deployed the resources necessary to meet the crisis. The agency and its employees, and especially those in the Atlanta and Dallas regions, have every reason to be proud of their preparedness, resourcefulness, and dedication in meeting the needs of the population they serve under the most trying of circumstances.

March 14, 2006

Senator Thad Cochran
Chairman
Senate Committee on Appropriations
United States Senate
S-128, U.S. Capitol
Washington, DC 20510

Dear Chairman Cochran:

I am writing on behalf of the Social Security Advisory Board to urge the Committee on Appropriations to assure funding that adequately enables the Social Security Administration to carry out its responsibilities with a high level of integrity and excellence of service to the public.

The operations of the Social Security Administration directly affect the lives of the people of this country in multiple, vitally important ways. Over 160 million workers pay Social Security taxes. Social Security benefits are paid each month to 48 million beneficiaries, and over 7 million low-income Americans depend on the agency's Supplemental Security Income program. Each year the agency receives and must process more than six and a half million new benefit claims. It also has responsibility for a great many other tasks including the issuance and verification of many millions of Social Security numbers, the proper crediting of wages to the accounts of workers, and the conduct of continuing eligibility reviews.

If the agency fails to receive adequate resources for proper administration, the results are reflected in delays, inordinate processing backlogs, and inability to perform eligibility reviews that will ultimately save many times their costs. Unfortunately, that describes the existing situation. There are now nearly 600,000 initial disability claims awaiting a decision, but the State disability determination agencies that process those claims are facing reduced staffing levels. The situation with respect to appeals is even more severe. Since 1999, the number of Americans awaiting a decision on their Social Security appeals has more than doubled from 265 thousand to over 700 thousand with further increases projected. By the end of the current fiscal year, a typical appeal is expected to take 15 to 16 months. Moreover, the existence of such large backlogs necessarily creates pressures to expedite adjudication and defer action on continuing eligibility reviews. In any case where those pressures result in an incorrect denial or allowance, the claimant or the taxpayers may suffer a loss of a magnitude that can run into the tens of thousands of dollars. Inadequate

resources to perform required continuing reviews of eligibility may result in the payment of \$10 in improper benefits for each dollar not spent on reviews.

In 1994, Congress enacted legislation making the Social Security Administration an independent agency. That legislation directed the Commissioner to develop the agency's budget on the basis of a comprehensive workforce plan. The current Commissioner of Social Security has carried out that mandate by creating a service delivery budget designed to reduce the backlogs in Social Security processing to normal levels over a period of years while meeting the agency's obligations to maintain high levels of program integrity. This agency-developed budget is included each year in the Appendix to the President's budget.

The Board urges the Committee on Appropriations, in developing its recommendations for funding the Social Security Administration, to meet the needs addressed in the Commissioner's service delivery budget for adequate resources to begin reducing the inappropriate backlogs now faced by Americans applying for benefits and other services from the agency. We also urge you to provide the special funding that the Administration has requested for carrying out continuing eligibility reviews, which, as noted earlier, will pay for themselves many times over. Over the past several years, the agency has shown consistent and substantial improvements in productivity. But, without sufficient funding, it cannot keep up with its large caseloads and provide the type of service and careful stewardship that America's beneficiaries and taxpayers deserve.

Sincerely,

Hal Daub,
Chairman

<p>Note: Identical letters sent to the Chairmen and Ranking Members of the House and Senate Appropriations Committees and Subcommittees on Labor, Health and Human Services, Education and Related Agencies</p>
